

America's Greatest Co-operative Organization

By JOHN B. WALLACE

FRANCIS Q. STORY, after serving for more than a decade as president of the California Fruit Growers Exchange, recently handed in his resignation to the board of directors. Mr. Story was ill at the time and the board deferred action until he recovered. Mr. Peter J. Dreher was then unanimously chosen as the new head of the exchange.

In the history of these two men is embraced the history of the greatest co-operative marketing organization in the United States, if not in the world. Mr. Dreher, by organizing and conducting the first successful co-operative orange packing house, and Mr. Story, who originated the idea of advertising oranges and lemons, are the men to whom belongs the credit for converting a struggling and purely speculative industry into one of the soundest and safest producing industries known to man.

Through the perseverance, ingenuity and sheer business ability of these two men the great cactus and sagebrush covered desert of Southern California has been made to bloom like the Garden of Eden. During the history of their struggles to put the growing of citrus fruit upon a sound business basis, land values in the citrus districts have risen from \$6 to \$5,000 an acre in producing groves. The average value of orange and lemon groves in Southern California is \$2,500 an acre and the raw land in citrus districts is held at \$800 an acre. Record sales of exceptionally fine groves have been made at \$6,000 an acre.

These two men have seen the California Fruit Growers Exchange grow from the seven or eight members of the exchange that Mr. Dreher started at Claremont to a membership of more than 10,000.

Last year, 1919, the California Fruit Growers Exchange shipped 33,174 carloads of citrus fruit representing an f. o. b. value of \$55,000,000 to the growers and a market value many millions in excess of that.

During the past sixteen years the exchange has returned to its members the staggering sum of \$317,000,000; and incidentally, it might be added, its losses from all causes during the sixteen years mentioned have been but \$8,000 or about one-four hundredth of one per cent of the f. o. b. returns. Furthermore, this enormous amount of perishable fruit was marketed at a cost of but 1.62 per cent of the delivered value of the fruit, inclusive of advertising and trade promotion work. The 14,855,095 boxes of citrus fruit which the exchange shipped last year represented 72.3 per cent of the entire citrus crop of California which shows the faith that the growers have in co-operation. And it must be remembered that the citrus crop of 1919 was a light one, the smallest for several years.

Romance in Oranges

THERE is a romantic aura about the orange probably due to the use of its blossoms at weddings, but the history of the orange in Southern California, comprising as it does heartbreaks, ruin and disappointments with wonderful successes and fabulous fortunes, has a romance all its own.

The orange is not a native of California. The first ones grown in the state were seedlings planted by the mission fathers during the early part of the nineteenth century.

Sporadic plantings were made in home gardens for domestic use but it was not until the completion of the Southern Pacific and Santa Fe railroads that the commercial possibilities of the fruit were realized. The first shipment was made to the East in 1877 by the Wolfskill ranch, in Los Angeles, then but a straggling town. The prices obtained for this fruit stimulated the planting of commercial orchards. The seedling orange, however, is sour and full of seeds and it was not until the importation and planting of the navel orange from Bahia that the California fruit began to win favor. This seedless fruit, full of sweet juice and attractive in color, made an instantaneous bid for popularity in the eastern markets and as a result thousands of acres were set out in the district south of Los Angeles. It was also discovered that the soil and climate of Southern California were suitable for other citrus fruits such as the lemon, tangerine and grapefruit.

Then, after the California Fruit Growers Exchange came into being and began to dominate the industry, Valencia oranges were introduced into the country from Spain. This fruit matures during the summer

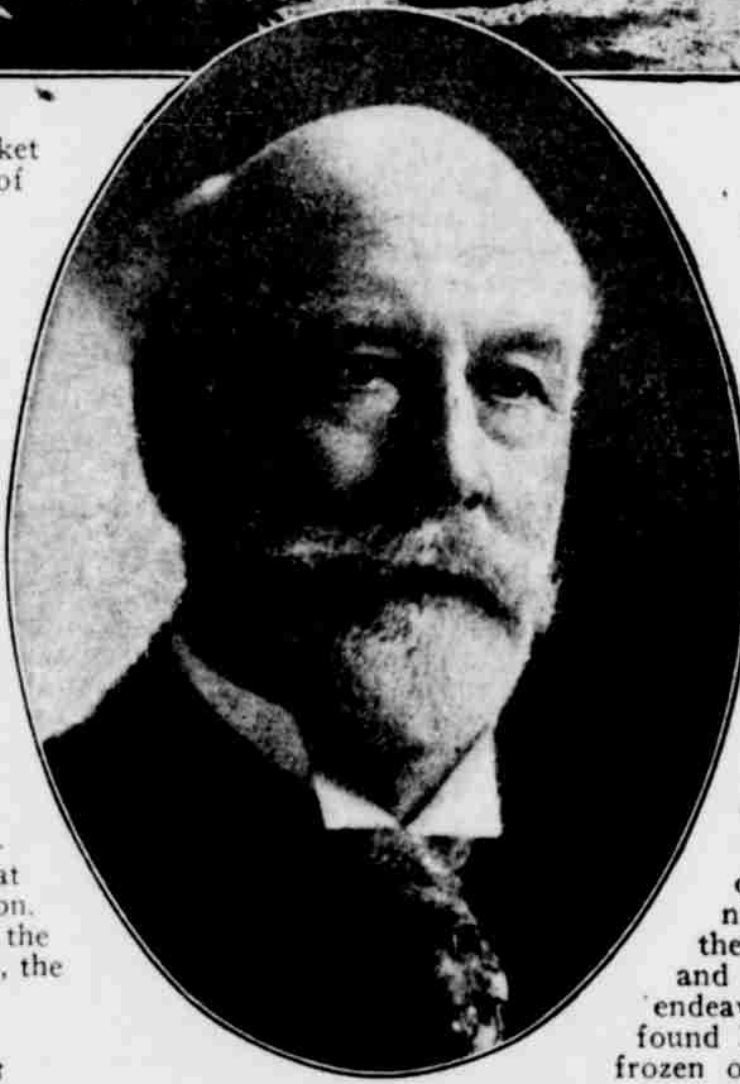
months and is at its best in the late summer and fall. The navel, on the other hand, is a strictly late winter and spring fruit. By planting large acreage to the Valencia the citrus market was placed on an all-year-round basis, a factor which materially lessened the cost of operation of the exchange.

From the beginning the grower found the orange business to be of a speculative nature. It was a new industry to all of them. The orange, as I have said, was not a native and it had to become acclimated. There were new problems in its growing cropping up every day and, as a matter of fact, they are still cropping up. But after the grower had set his crop, had withstood frost, flood and drought and was ready to pick his fruit, he found that his troubles had just begun.

The marketing in the early days was done by commission men. These men were in business for one



Orchard Scene in Southern California.



FRANCIS Q. STORY

tions had become so bad that the growers became desperate. A meeting was held in Los Angeles on October 24, of that year, and after several days of resolutions and protests, an organization called the Orange Growers Protective Union was formed.

This was the first attempt of the growers to co-operate and it proved abortive. The commission men saw the danger to their profits if such an idea should spread and they began an immediate onslaught. By offering individual members higher prices than the market for their fruit they were able to tempt them from their allegiance to the new organization and it soon broke up in mutual recriminations.

After the union had been put out of business, the commission men got together and partitioned out the territory among themselves, eliminating all competitive bidding. They were thus in a position to dictate prices to the grower, leaving him with barely enough margin to work his grove.

About this time Mr. P. J. Dreher, the present head of the exchange, took a hand in the game. Mr. Dreher was a German who had come to this country in his youth and after a bitter struggle with poverty had managed to acquire a competence which he invested in orange land near Claremont, California. Smarting at the injustice of the treatment accorded him at the hands of the fruit buyers, Mr. Dreher with seven or eight of his neighbors, in 1891, organized the Claremont Citrus Association.

The commission men immediately gave him battle but in Mr. Dreher they found a foe worthy of their



PETER J. DREHER

steel. With his characteristic energy he was not content to remain upon the defensive but he started a counter offensive among the patrons of the commission men.

It was a heartbreaking struggle. Mr. Dreher would win over a grower and then the commission men would outbid him and take his convert away. They used every trick known to sharp business practice. Even the bankers, with their usual hidebound conservatism, discouraged the members of the new association. One

of the local bankers, who afterward became a national figure, told one of his patrons that he would be foolish to let that "crazy Dutchman," Dreher, market his fruit.

Big Crops But No Sales

IN 1893, the year of the World's Fair in Chicago, the orange growers of Southern California had a bumper crop and they looked forward to a season of prosperity. February found them with their trees loaded with fruit waiting for the buyer. March came and no buyers appeared, then April and then May. The fruit was beginning to deteriorate and they became desperate.

One prominent grower, after waiting for three months for the buyers to approach him, shipped eight carloads of fruit back to his brother-in-law, a minister in one of the Atlantic states. The reverend gentleman, inexperienced as he was in marketing fruit, sold the oranges and as a result the grower was presented with a bill for \$2,000. In other words, the grower not only gave his fruit away but he paid the freight bill to the railroads for the privilege of doing so.

The commission men would accept and ship fruit on consignment, which meant that the grower took all the risk and the commission man took the profit, if there was any. The buyers absolutely refused to tie up one cent of their own money in the fruit.

Throughout all these hard times Dreher and his associates at Claremont had kept plugging away with their little packing house, not making much money but still doing better than breaking even, and the other growers began to take notice.

Mr. H. B. Chamberlin, another co-operation enthusiast, who shares with Mr. Dreher the title of "Father of the Exchange," had been busy promulgating the co-operative idea among the growers around Los Angeles and on August 29, 1893, a mass meeting was held in that city.

A resolution was passed to the following effect: "It was decided to provide for the marketing of all citrus fruit at the lowest possible cost under uniform methods and in a manner to secure each grower a certain marketing of his fruit and the full average price to be obtained in the market throughout the season."

An arrangement was made whereby local associations were to be organized throughout the citrus belt which should pack fruit at cost and market it through a committee composed of one member from each association. From this came the Southern California Fruit Growers Exchange which was formed on October 24, 1895.

This organization continued to function for some eleven years when the exchange growers combined with the independent growers outside the exchange in an organization known as the California Fruit Agency. This experiment did not show good results and after trying it for seventeen months the present state-wide organization known as the California Fruit Growers Exchange was organized in 1905.

The structure of this organization is quite simple. It is in the form of a pyramid with the local associa-